



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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August 27, 2007

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

## SACRAMENTO UPDATE

### State Budget

Our preliminary estimate of the impact of the Governor's vetoes was a loss of \$54.1 million as reported in a Sacramento Update of August 24, 2007. Based on further analysis, new information, and discussions with County departments, the California State Association of Counties, the Urban Counties Caucus, our Sacramento advocates and others, the estimated loss has increased by \$10.5 million, to a total of \$64.6 million as illustrated in the attached table.

The additional losses are primarily attributable to reductions of \$9.8 million for the Outreach, Enrollment, Retention and Utilization Program, \$550,000 from local pandemic influenza grants, and an additional \$140,000 from libraries.

The following includes all the line-item vetoes of interest to the County:

### General Government

- **California State Library.** The Governor deleted the \$1.0 million augmentation to the Public Library Foundation (PLF) Program. In his veto message, the Governor indicated that this reduction is necessary to limit program expansions and to help bring ongoing expenditures in line with existing resources. The Governor also reduced the PLF Program by an additional \$7.0 million in order to further build a

prudent reserve in light of the various uncertainties in revenues and spending. The County Library Department would have received an estimated \$100,000 from the PLF augmentation; however, as result of this action the Department will experience an estimated \$700,000 loss in FY 2007-08.

- **Direct Loan and Interlibrary Loan Services Program.** The Governor deleted \$7.0 million for this program. In his veto message, the Governor stated that the reduction is necessary in order to further build a prudent reserve in light of revenue uncertainties faced by the State this year. The County Public Library Department estimates that his reduction will result in an estimated \$140,000 loss in FY 2007-08.
- **February 2008 Presidential Primary.** The State Budget includes \$11.7 million one-time funds for the Secretary of State to conduct the February 2008 Presidential Primary Election which was added by SB 113 (Chapter 2, Statutes of 2007). Neither SB 113 nor the 2007 State Budget Act include any funding in FY 2007-08 to reimburse counties for their costs. However, the Governor indicates that consistent with the intent of SB 113, the State plans to reimburse counties for their February 2008 Presidential Primary election costs as part of the FY 2008-09 Budget. In addition, the Administration indicated that it plans to address those costs once county claims for reimbursement are available, approximately by mid-May 2008. It is estimated that the cost for the County to conduct the election would be approximately \$20 million.
- **Grants for County Assessors.** The Governor deleted a \$3.5 million augmentation for grants to county assessors for the assessment of fractional aircraft. In his veto message, the Governor indicated that the reduction is necessary to limit program expansions and provide a prudent reserve in light of the various uncertainties in revenues and spending. The Governor also noted that local governments are anticipated to receive \$28 million in property tax revenue in FY 2007-08 pursuant to a new methodology of assessing and collecting fractionally owned aircraft property taxes. The new authority is granted under Budget Trailer Bill SB 87.

## Health

- **Outreach, Enrollment, Retention and Utilization (OERU) Program.** The Governor vetoed \$34.6 million for the county grants portion of the OERU Program, also known as the Children's Outreach Initiative, which is intended to streamline enrollment processes, improve retention, and support county-based enrollment efforts for children. In his veto message, the Governor indicated that the reduction was necessary to provide for a prudent reserve. The impact on the County is an estimated \$9.8 million loss in FY 2007-08, and an additional \$9.8 million loss in FY 2008-09.

- **Medi-Cal Managed Health Care Plans.** The Governor reduced funding for the Medi-Cal Managed Care Program from \$214 million to \$106.2 million (\$53.1 million in State General Fund). The funding was intended to help Medi-Cal Managed Care plans, such as the County's Community Health Plan (CHP), to transition from the existing Medi-Cal managed care rates to a new experience-based rate setting methodology. In his veto message, the Governor stated that the reduction was necessary to provide for a prudent reserve. The County Department of Health Services previously indicated that eliminating or reducing this transition funding will result in significant implementation and financial difficulties for the CHP and DHS facilities that provide health care services under the plan. In addition, funding reductions to the program will result in losses of Federal funding.
- **Expanded Access to Primary Care.** The Governor cut \$10 million from the Expanded Access to Primary Care program. In his veto message, the Governor promised to seek a subsequent bill this session to fund the program with Proposition 99 (tobacco tax) funding. The impact on the County is unknown at this time.

#### **Public Health**

- **Emergency Preparedness/Local Pandemic Influenza and Response Planning.** The Governor eliminated \$8.5 million in one-time discretionary funding to local health departments for pandemic influenza preparedness and response planning. In his veto message, the Governor stated that the reduction was necessary to provide for a prudent reserve. The Department of Public Health estimates that this action will result in a \$550,000 loss to the County.

#### **Mental Health**

- **Integrated Services for Homeless Adults with Serious Mental Illness (AB 2034) Program.** The Governor eliminated all funding for the AB 2034 Program. The Statewide allocation was \$54.9 million. In his veto message, the Governor indicated that this reduction is necessary to limit program expansions and to help bring ongoing expenditures in line with existing resources. In addition, he mentioned that to the extent counties find the program beneficial and cost-effective, it can be restructured to meet the needs of each county with other funding sources, such as Federal, Realignment, or Mental Health Services Act (Proposition 63) funds. As previously reported, the Mental Health Services Act prohibits the use of Proposition 63 funds to supplant existing programs. The impact on the County is an estimated \$17 million loss.

- **Medi-Cal Mental Health Managed Care Rate Restoration.** The Governor cut a \$12 million legislative augmentation for the five percent rate restoration for mental health managed care.

### **Social Services**

- **Adult Protective Services (APS) Program.** The Governor eliminated the \$12 million augmentation for the APS Program. In his veto message, the Governor indicated that the elimination of the APS augmentation is needed to build a prudent budget reserve in light of uncertainties in revenues and spending. This action results in an estimated loss of \$3.1 million in additional funding for the County's APS Program.
- **County Equipment Replacement.** The Governor eliminated \$9.2 million to replace computer hardware for automated welfare systems including LEADER and the Child Welfare Services/Case Management System (CWS/CMS). In his veto message, the Governor indicated that the elimination of the funding is needed to build a prudent budget reserve. The Department of Public Social Services would have received an estimated \$2.8 million for the LEADER system, and the Department of Children and Family Services would have been eligible to receive a portion of the \$2.5 million Statewide for the CWS/CMS systems.
- **Foster Children Relationships and Foster Youth Identify Theft.** The Governor eliminated \$4.0 million in funding on a one-time basis to suspend previously enacted legislation to fund county activities for sibling searches for children in foster care, and to prevent and resolve foster youth identify theft. In his veto message, the Governor indicated his support for these programs, but noted that a one-year suspension was necessary to build a prudent reserve. The Department of Children and Family Services has determined that these items have no impact on the County. Funding for activities regarding the search for siblings is covered under the Title IV-E waiver, and the State has not issued instructions to counties to implement the foster youth identity theft requirements.
- **Employment Development Department (EDD) Job Services Program.** The Governor reduced the \$27.1 million EDD Job Services Program by \$12.1 million. In his veto message, the Governor indicated that while he agreed with the Legislature that additional resources would benefit job seekers, he was confident that the existing funding would be sufficient to meet employment demands in California communities. While the budget reduction does not have a direct fiscal impact on the County, it would affect some County programs because many of the EDD job centers are cooperative ventures with local entities, such as Workforce Investment Boards and CalWORKs offices.

### **Justice and Public Safety**

- **Juvenile Justice Grants.** The Governor eliminated all funding in the two juvenile justice grants related to the retention of non-violent juvenile offenders. The Statewide allocation for the County Juvenile Justice Planning Grants was \$4.9 million, and the total allocation for the County Juvenile Justice Competitive Grants was \$10 million. In his veto message, the Governor indicated that he eliminated these funds because of the need to build a prudent reserve in light of the fiscal uncertainties in revenues and expenditures in the budget year. As a result of this action, the County will not receive a \$150,000 planning grant. Since the competitive grants were not formula based, the impact on the County is unknown.

### **Transportation**

- **State Transit Assistance (STA).** The Governor reduced funding by \$100 million. STA provides funding to the State Controller for allocation to regional transportation planning agencies for mass transportation programs. The County does not receive any direct allocations from the STA. However, the Los Angeles County Metropolitan Transit Authority (MTA) will be impacted as well as local transit agencies that receive this funding through an MTA formula allocation process. The Governor indicated that the amount was reduced because appropriations exceeded projected resources which rely on the volatile "spillover revenues."

### **Natural Resources and Environmental Protection**

- **Watershed Planning Activities.** The Governor eliminated the Legislature's Statewide augmentation of \$4.25 million for watershed basin planning activities. The Governor indicated that such activities should be funded through Proposition 84 funds available for the development of regional and local land use plans.
- **Flood Protection Corridor Program.** The Governor eliminated the Legislature's Statewide augmentation of \$10 million for the Flood Protection Corridor Program. The Governor's proposal includes \$24 million of Proposition 84 funds which he contends is sufficient to implement the Flood Protection Corridor Program. The Flood Protection Corridor Program is a direct expenditure and competitive grant program first created under the Costa-Machado Water Act of 2000 (Proposition 13). The program is administered by the Department of Water Resources Division of Flood Management and awards funds to public agencies and non-profit organizations for flood risk reduction projects in floodplains using primarily non-structural flood management methods.
- **Floodway Corridor Program.** The Governor eliminated the Legislature's Statewide augmentation of \$30 million for the Floodway Corridor Program. The Governor

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indicates that the augmentation is unnecessary because criteria for the program have not been developed. The Floodway Corridor Program is a new program established by the Disaster Preparedness and Flood Prevention Bond Act of 2006 (Proposition 1E). The program will be administered by the Department of Water Resources Division of Flood Management and will include direct expenditure projects, capital improvement projects, and competitive grants to public agencies and non-profit organizations for flood risk reduction projects. Eligible activities include acquiring rights-of-ways for flood corridors, construction of levees for corridors and bypasses, conservation of agricultural land and wildlife habitat, relocating or flood-proofing structures, and mapping flood hazard areas.

We will continue to work with departments and will provide additional information when it becomes available.

WTF:SRH:GK  
MAL:MR:IGA:acn

#### Attachment

c: All Department Heads  
Legislative Strategist  
Local 721  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants

**ESTIMATED IMPACT TO LOS ANGELES COUNTY  
FROM THE 2007 BUDGET ACT**  
(In Millions)

	May Revision	Conference Committee	Final Legislative Budget	Adopted Budget (Revised 8/27/07)
<b><u>Reductions / Unfunded Programs :</u></b>				
Integrated Svs. for Homeless Adults with Serious Mental Illness	(17.0)	0.0	0.0	(17.0) <sup>(1)</sup>
Substance Abuse Crime Prevention Act Program (Proposition 36)	(7.0)	3.8	(5.0)	(5.0) <sup>(2)</sup>
February 2008 Presidential Primary Election	(20.0)	(20.0)	(20.0)	(20.0) <sup>(3)</sup>
Property Tax Administration Program	(13.5)	(13.5)	(13.5)	(13.5) <sup>(4)</sup>
Mentally Ill Offender Crime Reduction (MIOCR) Program	0.0	(3.4)	?	? <sup>(5)</sup>
Williamson Act Program Reduction	(0.04)	(0.04)	0.0	0.0 <sup>(6)</sup>
Medi-Cal/Health Families Outreach (OERU) Program Reduction	0.0	0.0	0.0	(9.8) <sup>(7)</sup>
Local Pandemic Influenza & Response Planning Grant Reduction	0.0	0.0	0.0	(0.6) <sup>(8)</sup>
Direct Loan and Interlibrary Loan (DLIL) Program Reduction	0.0	0.0	0.0	(0.1) <sup>(9)</sup>
Sub-Total	\$ (57.5)	\$ (33.1)	\$ (38.5)	\$ (66.0)
<b><u>Unavoidable Costs :</u></b>				
State-approved Foster Care Provider Rate Increase	0.0	(5.2)	(5.2)	(5.2) <sup>(10)</sup>
State-approved Dual Agency Provider Rate Increase	0.0	0.0	(4.2)	(4.2) <sup>(11)</sup>
Sub-Total	0.0	(5.2)	(9.4)	(9.4)
<b><u>Augmentations / Restorations :</u></b>				
Health Care Workforce Development	5.7	5.7	5.7	5.7
California Adult Probation Accountability & Rehabilitation Act	6.9	?	?	? <sup>(12)</sup>
LEADER System Replacement	2.0	2.0	2.0	2.0
Transfer of Juvenile Justice Population to Counties	?	?	?	? <sup>(13)</sup>
Adult Protective Services (APS) Program Augmentation	0.0	3.1	3.1	0.0 <sup>(14)</sup>
High Risk Pest Exclusion (HRPE) Program Augmentation	0.0	0.5	0.6	0.6 <sup>(15)</sup>
Public Library Fund (PLF) Augmentation	0.0	0.1	0.1	(0.7) <sup>(16)</sup>
Transitional Housing Plus (THP) Program Augmentation	0.0	2.6	2.6	2.6 <sup>(17)</sup>
HIV Surveillance Local Assistance Fund Augmentation	0.0	0.0	0.6	0.6
Sub-Total	\$ 14.6	\$ 14.0	\$ 14.7	\$ 10.8
<b>Estimated Net Impact</b>	<b>\$ (42.9)</b>	<b>\$ (24.3)</b>	<b>\$ (33.2)</b>	<b>\$ (64.6)</b>

**Notes:**

- (1) The Budget eliminates the \$54.9 million Statewide allocation for the AB 2034 Program. This action will result in a loss of \$17 million to the County.
- (2) The Budget approves the \$20M Statewide reduction to the Proposition 36 Program, and \$5M reduction to the Offender Treatment Program from FY 2006-07.
- (3) Reflects the estimated cost for the County to conduct the February 2008 Presidential Primary Election. While the May Revision indicated the Administration's intent to provide reimbursement in FY 2008-09, the County will have to fund the election in FY 2007-08.
- (4) PTAP was suspended as part of the 2005 Budget Act with the understanding that it would be reinstated in FY 2007-08. The Budget does not restore the program.
- (5) The Budget reduces the MIOCR Program from \$44.6M to \$29.7M in FY 2007-08. Impact to the County is not known, as grant funds are awarded on a competitive basis.
- (6) The Budget fully restores funding for the Williamson Act.
- (7) The Budget cuts \$34.6M from the Outreach, Enrollment, Retention, and Utilization Program. The County impact will be \$9.8M in FY 2007-08 and \$9.8 in FY 2008-09.
- (8) The Budget cuts \$8.5 million for local pandemic influenza grants. The County impact is an estimated \$550,000 loss.
- (9) The Budget eliminates \$7.0 million for the DLIL Program. Based on this reduction, the County Library will experience a \$140,000 loss of funding in FY 2007-08.
- (10) Estimate reflects a 6-month impact on the County as new rates will be effective 1/1/08. Annualized impact is \$10.4 million. Under the Title IV-E Waiver, the County is responsible for covering the cost of the County and Federal portions of the rate increase.
- (11) Estimate reflects impact based on new rates as of 7/1/08. Potential impact includes supplemental rate increases which are at County discretion.
- (12) The Budget includes \$10 million for a 2-county pilot program. Alameda County has been identified as a pilot. It is not known if Los Angeles will be the other pilot.
- (13) SB 81 addresses the statutory changes for the implementation of the Juvenile Justice Realignment. The fiscal impact on the County is not known at this time.
- (14) The Budget eliminates the \$12 million funding augmentation for the APS Program. As a result of this action, the County will not receive an estimated \$3.1 million.
- (15) The Budget approves the proposal to augment the HRPE Program by \$1.5 million and \$700,000 for border inspections. The County will receive \$600,000 from HRPE.
- (16) The Budget deletes the \$1.0 million augmentation and eliminates an additional \$7.0 million from the PLF Program. This action will result in a \$700k loss to the County.
- (17) The Budget includes sufficient funding for the THP Program in FY 2007-08 and to reimburse counties for FY 2006-07 costs.

*This table represents the estimated loss/gain of State funds based upon the May Revision, Conference Committee, Final Legislative Budget and Adopted Budget. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.*